

**MOC-FLOYD VALLEY
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2007**

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2007
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2007

Board of Education (Before September 12, 2006 Election)

<u>Name</u>		<u>Term Expires</u>
Deborah De Haan	President	2008
Gerald Van Roekel	Vice President	2007
Derrick De Haan	Board Member	2008
Patti Thayer	Board Member	2007
Dan Duistermars	Board Member	2006

Board of Education (After September 12, 2006 Election)

Deborah De Haan	President	2008
Gerald Van Roekel	Vice President	2007
Dan Duistermars	Board Member	2009
Derrick De Haan	Board Member	2008
Patti Thayer	Board Member	2007

Officials

Gary Richardson	Superintendent	2007
Leann Evenhuis	Board Secretary	2007
Dave Hughes/Scott Kooiman	Board Treasurer	2007
Stephen F. Avery	Attorney	2007



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
MOC-Floyd Valley Community School District
Orange City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the MOC-Floyd Valley Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of MOC-Floyd Valley Community School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007 on our consideration of the MOC-Floyd Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MOC-Floyd Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed

unqualified opinions on those financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
November 1, 2007

MOC-FLOYD VALLEY MANAGEMENT DISCUSSION AND ANALYSIS

MOC-Floyd Valley School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$10,101,040 in fiscal 2006 to \$10,738,279 in fiscal 2007, while General fund expenditures increased from \$9,973,438 in fiscal 2006 to \$10,695,453 in fiscal 2007. The District's General fund balance increased from \$642,411 in fiscal 2006 to \$770,008 in fiscal 2007, a 20% increase.

The increase in General fund revenues was attributable due to an overall increase in property taxes, state aid, state categorical funding and income surtax from the instructional support levy in fiscal 2007. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of MOC-Floyd Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

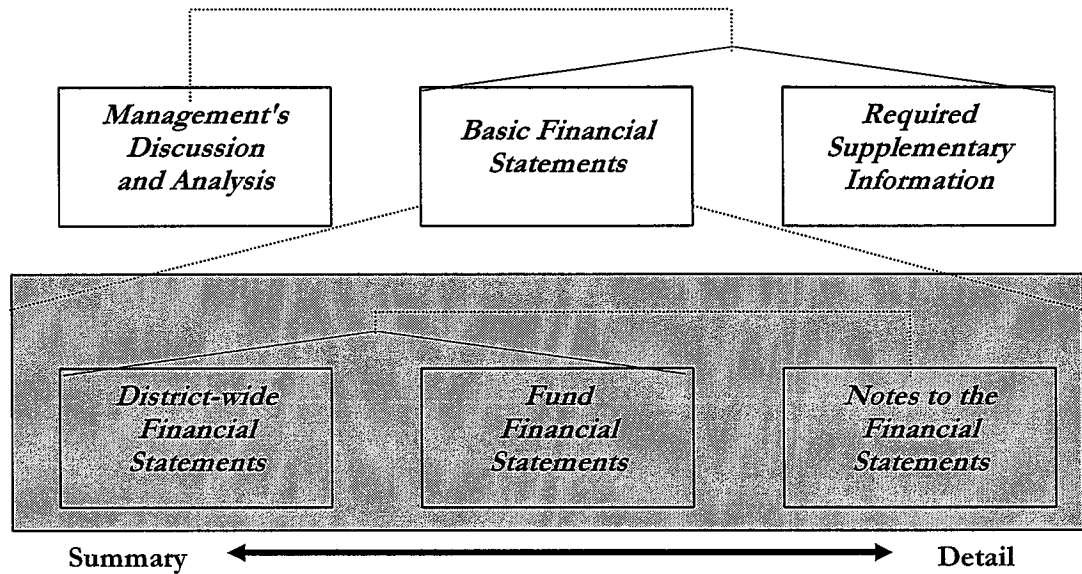


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional

information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these to finance its operations.

The required financial statements for fiduciary funds includes a statement fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 and 2007.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Current and other assets	\$ 8,058,789	\$ 7,626,827	\$ 71,863	\$ 101,512	\$ 8,130,652	\$ 7,728,339	-4.9%
Capital Assets	11,448,645	11,591,845	61,706	54,195	11,510,351	11,646,040	1.2%
Total Assets	19,507,434	19,218,672	133,569	155,707	19,641,003	19,374,379	-1.4%
Current Liabilities	7,069,072	7,076,767	14,399	18,957	7,083,471	7,095,724	0.2%
Long-Term Liabilities	5,206,450	4,490,592	-	5,600	5,206,450	4,496,192	-13.6%
Total Liabilities	12,275,522	11,567,359	14,399	24,557	12,289,921	11,591,916	-5.7%
Net Assets Invested in capital assets, net of related debt	5,632,985	6,401,394	61,706	54,195	5,694,691	6,455,589	13.4%
Restricted	724,327	198,354	-	-	724,327	198,354	-72.6%
Unrestricted	874,600	1,051,565	57,464	76,955	932,064	1,128,520	21.1%
Total Net Assets	\$ 7,231,912	\$ 7,651,313	\$ 119,170	\$ 131,150	\$ 7,351,082	\$ 7,782,463	5.9%

The District's combined net assets increased by 5.9%, or approximately \$431,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets decreased over \$525,000 or approximately 73% from the prior year. The decrease was primarily a result of the completion of the high school remodeling and building project and payment thereof.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal

requirements – increased approximately \$196,500 or 21%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006 and 2007.

Figure A-4 Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Revenue							
Program Revenue:							
Charges for Services	\$ 764,547	\$ 729,857	\$ 307,856	\$ 359,089	\$ 1,072,403	\$ 1,088,946	1.5%
Operating Grants and Contributions	1,246,651	1,476,997	173,419	186,018	1,420,070	1,663,015	17.1%
Capital Grants and Contributions	237,500	17,400	-	-	237,500	17,400	-92.7%
General Revenues:							
Property Tax	4,228,263	4,329,159	-	-	4,228,263	4,329,159	2.4%
Instructional Support Surtax	486,029	567,493	-	-	486,029	567,493	16.8%
Local Option Sales Tax	710,571	820,264	-	-	710,571	820,264	15.4%
Unrestricted State Grants	4,300,440	4,541,639	-	-	4,300,440	4,541,639	5.6%
Unrestricted Investment Earnings	101,696	136,088	478	1,420	102,183	137,508	34.6%
Gain on Disposal of Assets	31,600	-	-	-	31,600	-	-100.0%
Other	22,039	20,976	988	810	23,027	21,786	5.4%
Transfers	(8,700)	-	8,700	-	-	-	
TOTAL REVENUES	12,120,636	12,639,873	491,450	547,337	12,612,086	13,187,210	4.6%
Program Expenses:							
Instruction	7,032,850	8,017,034	-	-	7,032,850	8,017,034	14.0%
Support Services	3,169,147	3,353,061	-	-	3,169,147	3,353,061	5.8%
Non-instructional Programs	12,896	12,784	483,593	535,357	496,489	548,141	10.4%
Other Expenses	744,626	837,593	-	-	744,626	837,593	12.5%
TOTAL EXPENSES	10,959,519	12,220,472	483,593	535,357	11,443,112	12,755,829	11.5%
Change in Net Assets	\$ 1,161,117	\$ 419,401	\$ 7,857	\$ 11,980	\$ 1,168,974	\$ 431,381	-63.1%

Property tax, instructional support surtax, local option sales tax, and unrestricted state grants account for 78% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-5 Net Cost of Governmental Activities

	Total Cost of Services		%	Net Cost of Services		%
	2006	2007	Change	2006	2007	Change
Instruction	\$ 7,032,850	\$ 8,017,034	14.0%	\$ 5,596,895	\$ 6,411,182	14.5%
Support Services	3,169,147	3,353,061	5.8%	3,037,331	3,212,940	5.8%
Non-Instructional	12,896	12,784	-0.9%	5,535	7,289	31.7%
Other	744,626	837,593	12.5%	71,060	364,807	413.4%
TOTAL	\$10,959,519	\$12,220,472	11.5%	\$ 8,710,821	\$ 9,996,218	14.8%

- The cost financed by users of the District's programs was \$729,857.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,494,397. This includes a contribution from the City of Orange City in the amount of \$12,500 for a jointly owned Wellness Facility, located within the new addition at the high school.
- The net cost of governmental activities was financed with \$5,716,916 in property and other taxes and \$4,541,639 in unrestricted state grants.

Business Type Activities

Revenues of the District's business type activity (school food and nutrition services) were \$547,337 and expenses were \$535,357. (Refer to Figure A-4). Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income. Revenues increased from \$491,450 in fiscal 2006 to \$547,337 in fiscal 2007, while expenses increased from \$483,593 in fiscal 2006 to \$535,357 in fiscal 2007. Increases were primarily caused by the District supplying noon meals to the local day care program in fiscal 2007. This was not done in fiscal 2006.

INDIVIDUAL FUND ANALYSIS

As previously noted, MOC-Floyd Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,313,017, lagging behind last year's ending fund balances of \$1,482,308. The balance reflects an increase in the General Fund fund balance, a decrease in the PPEL Special Revenue Fund fund balance due to payment on the completed high school building project, and an increase in the Capital Projects LOST Fund fund balance, which will be used to pay off the LOST revenue bonds.

Governmental Fund Highlights

- The District's improved General Fund financial position is the result of increased property tax and instructional support income surtax
- The June 2007 fund balance of \$76,004 in the PPEL fund decreased significantly from \$538,014 in fiscal 2006 due to the completion and payment of the high school building project.

- The Capital Project LOST fund balance increased from \$126,787 in fiscal 2006 to \$372,092 in fiscal 2007. This fund balance will be used to retire the LOST revenue bonds as they come due.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$119,170 at June 30, 2006 to \$131,150 at June 30, 2007. The increase was due primarily to increased program sales as well as an increase in federal lunch reimbursements.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the supplementary information section of this report as required.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$19,744,223 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) More detailed information about capital assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$515,391.

The largest change in capital asset activity during the year occurred in the construction in progress and building categories. Construction in progress reflects the remodeling project at the district's central administration office. The large increase in the buildings category reflects the new value of the high school building following completion of the remodeling and addition project.

Figure A-6 Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Land	\$ 247,000	\$ 247,000	\$ -	\$ -	\$ 247,000	\$ 247,000	0.0%
Constr. In Progress	5,971,318	23,167	-	-	5,971,318	23,167	-99.6%
Buildings	9,934,380	16,293,095	-	-	9,934,380	16,293,095	64.0%
Improvements other than buildings	670,730	698,263	-	-	670,730	698,263	4.1%
Furniture and Equipment	2,182,031	2,393,016	90,287	89,682	2,272,318	2,482,698	9.3%
Total Assets	\$19,005,459	\$19,654,541	\$ 90,287	\$ 89,682	\$19,095,746	\$ 19,744,223	3.4%

Long-Term Debt

At year end, the District had \$772,951 in general obligation bonds outstanding, \$4,398,800 in LOST revenue bonds outstanding, \$18,700 in lease obligations, \$115,719 in early retirement obligations and \$22,005 in compensated absences. This is a decrease of \$517,711 from the prior year. The decrease is largely due to the repayment of general obligation bonds and LOST revenue bonds. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District enrollment for 2007-08 remains stable which will positively affect the 2008-09 budget.
- There continues to be considerable economic expansion beginning in the Alton/Orange City area with the Highway 60 by-pass project, the completion of a new \$30 million hospital in Orange City, the expansion of Med-Tech, Advanced Brands, and Revival Animal Health Incorporated and relocation of the Pizza Ranch headquarters.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Leann Evenhuis, District Secretary/Treasurer and Business Manager, MOC-Floyd Valley Consolidated School District, 1301 8th Street SE, Orange City Iowa 51041.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 2,295,419	\$ 84,879	\$ 2,380,298
Receivables:			
Property Tax	44,556	-	44,556
Succeeding Year Property Tax	4,432,598	-	4,432,598
Accounts	11,155	2,660	13,815
Due from Other Governments	293,003	500	293,503
Restricted Assets:			
Cash and Pooled Investments	61,718	-	61,718
ISCAP Investments	467,261	-	467,261
ISCAP Interest Receivable	4,738	-	4,738
Inventories	-	13,473	13,473
Bond Issue Costs	16,379	-	16,379
Land	247,000	-	247,000
Construction in Progress	23,167	-	23,167
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,321,678	54,195	11,375,873
Total Assets	19,218,672	155,707	19,374,379
LIABILITIES			
Accounts Payable	326,710	1,290	328,000
Salaries and Benefits Payable	987,705	5,490	993,195
Accrued Interest Payable	20,583	-	20,583
Unearned Revenue	-	12,177	12,177
Deferred Revenue - Succeeding Year Taxes	4,432,598	-	4,432,598
ISCAP Unamortized Premium	3,473	-	3,473
ISCAP Interest Payable	115	-	115
Noncurrent Liabilities:			
Due Within One Year:			
ISCAP Warrants Payable	468,000	-	468,000
Lease Obligations Payable	9,350	-	9,350
Bonds Payable	712,514	-	712,514
Early Retirement Payable	115,719	-	115,719
Due in More Than One Year:			
Lease Obligations Payable	9,350	-	9,350
Accrued Compensated Absences	22,005	5,600	27,605
Bonds Payable	4,459,237	-	4,459,237
Total Liabilities	11,567,359	24,557	11,591,916
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,401,394	54,195	6,455,589
Restricted for:			
Debt Service	21,914	-	21,914
Physical Plant and Equipment Levy	76,004	-	76,004
Other Special Revenue Purposes	100,436	-	100,436
Unrestricted	1,051,565	76,955	1,128,520
Total Net Assets	\$ 7,651,313	\$ 131,150	\$ 7,782,463

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 5,622,235	\$ 232,911	\$ 566,075	\$ -
Special Instruction	1,266,749	66,523	273,324	-
Other Instruction	1,128,050	423,728	43,291	-
Support Services:				
Student Services	368,381	-	-	-
Instructional Staff Services	471,177	-	-	-
Administration Services	1,005,118	-	-	-
Operation and Maintenance	969,978	6,695	-	4,900
Transportation Services	538,407	-	128,526	-
Non-instructional Programs	12,784	-	5,495	-
Other Expenditures:				
Facilities Acquisition and Construction Services	88,802	-	-	12,500
Long-term Debt Interest	288,505	-	-	-
AEA Flowthrough	460,286	-	460,286	-
Total governmental activities	<u>12,220,472</u>	<u>729,857</u>	<u>1,476,997</u>	<u>17,400</u>
Business Type Activity:				
Non-instructional Programs				
Food Service Operations	<u>535,357</u>	<u>359,089</u>	<u>186,018</u>	
Total	<u>\$ 12,755,829</u>	<u>\$ 1,088,946</u>	<u>\$ 1,663,015</u>	<u>\$ 17,400</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Other				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activity	Total
\$ (4,823,249)		\$ (4,823,249)
(926,902)		(926,902)
(661,031)		(661,031)
(368,381)		(368,381)
(471,177)		(471,177)
(1,005,118)		(1,005,118)
(958,383)		(958,383)
(409,881)		(409,881)
(7,289)		(7,289)
(76,302)		(76,302)
(288,505)		(288,505)
-		-
<u>(9,996,218)</u>		<u>(9,996,218)</u>
	\$ 9,750	9,750
<u>(9,996,218)</u>	<u>9,750</u>	<u>(9,986,468)</u>
3,901,833	-	3,901,833
79,565	-	79,565
347,761	-	347,761
567,493	-	567,493
820,264	-	820,264
4,541,639	-	4,541,639
136,088	1,420	137,508
20,976	810	21,786
<u>10,415,619</u>	<u>2,230</u>	<u>10,417,849</u>
419,401	11,980	431,381
7,231,912	119,170	7,351,082
<u>\$ 7,651,313</u>	<u>\$ 131,150</u>	<u>7,782,463</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Capital Project LOST	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Pooled Investments	\$ 1,781,442	\$ 145,850	\$ 199,705	\$ 151,821	\$ 2,278,818
Receivables:					
Property Tax	39,251	-	3,174	2,131	44,556
Succeeding Year Property Tax	3,849,374	-	358,224	225,000	4,432,598
Accounts	2,252	-	-	8,903	11,155
Due from Other Governments	128,479	164,524	-	-	293,003
Restricted Assets:					
Cash and Pooled Investments	-	61,718	-	-	61,718
ISCAP Investments	467,261	-	-	-	467,261
ISCAP Interest Receivable	4,738	-	-	-	4,738
Total Assets	6,272,797	372,092	561,103	387,855	7,593,847
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	192,160	-	126,875	5,971	325,006
Salaries and Benefits Payable	987,705	-	-	-	987,705
Early Retirement Payable	-	-	-	61,971	61,971
Unearned Revenue	1,962	-	-	-	1,962
Deferred Revenue - Succeeding Year Taxes	3,849,374	-	358,224	225,000	4,432,598
ISCAP Unamortized Premium	3,473	-	-	-	3,473
ISCAP Interest Payable	115	-	-	-	115
ISCAP Warrants Payable	468,000	-	-	-	468,000
Total Liabilities	5,502,789	-	485,099	292,942	6,280,830
Fund Balances:					
Reserved for:					
Debt Service	-	-	-	42,497	42,497
Unreserved for:					
General Fund	770,008	-	-	-	770,008
Special Revenue Fund	-	-	76,004	52,416	128,420
Capital Project Fund	-	372,092	-	-	372,092
Total Fund Balances	770,008	372,092	76,004	94,913	1,313,017
Total Liabilities and Equity	\$ 6,272,797	\$ 372,092	\$ 561,103	\$ 387,855	\$ 7,593,847

See Accompanying Notes to Financial Statements

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 1,313,017
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,591,845
An internal service fund is used by management to fund and maintain the District's partially self-insured prescription drug plan provided to user departments and is included in the statement of net assets.	14,897
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(20,583)
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	16,379
Unearned revenues from the balance sheet that provide current financial resources for governmental activities.	1,962
Accrued compensated absences not reported on the modified accrual basis.	(22,005)
Long-term liabilities, including bonds payable, lease obligations payable, and early retirement payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,244,199)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 7,651,313</u></u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	Capital Project LOST	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax	\$ 4,309,316	\$ 820,264	\$ 347,761	\$ 239,746	\$ 5,717,087
Tuition	245,447	-	-	-	245,447
Other	165,320	3,517	43,886	441,252	653,975
State Sources	5,662,074	-	256	184	5,662,514
Federal Sources	356,122	-	-	-	356,122
Total Revenue	10,738,279	823,781	391,903	681,182	12,635,145
EXPENDITURES:					
Current:					
Instruction:					
Regular Instruction	5,165,735	-	-	79,532	5,245,267
Special Instruction	1,273,821	-	-	1,012	1,274,833
Other Instruction	681,592	-	-	464,992	1,146,584
Support Services:					
Student Services	349,385	-	-	17,891	367,276
Instructional Staff Services	472,639	-	-	2,002	474,641
Administration Services	940,203	-	18,636	29,254	988,093
Operation and Maintenance	890,465	-	26,390	44,296	961,151
Transportation Services	455,832	-	-	20,627	476,459
Non-instructional Programs	5,495	-	-	7,289	12,784
Other Expenditures:					
Facilities Acquisition and Construction Services	-	-	612,353	-	612,353
Long-term Debt:					
Principal	-	-	-	625,209	625,209
Interest and Fiscal Charges	-	-	-	256,253	256,253
AEA Flowthrough	460,286	-	-	-	460,286
Total Expenditures	10,695,453	-	657,379	1,548,357	12,901,189
Excess (Deficiency) of Revenues Over Expenditures	42,826	823,781	(265,476)	(867,175)	(266,044)
Other Financing Sources (Uses):					
Transfers In	96,753	-	15,000	801,992	913,745
Transfers Out	(11,982)	(578,476)	(211,534)	(15,000)	(816,992)
Total Other Financing Sources (Uses)	84,771	(578,476)	(196,534)	786,992	96,753
Net Change in Fund Balances	127,597	245,305	(462,010)	(80,183)	(169,291)
Fund Balances - Beginning of Year	642,411	126,787	538,014	175,096	1,482,308
Fund Balances - End of Year	\$ 770,008	\$ 372,092	\$ 76,004	\$ 94,913	\$ 1,313,017

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$ (169,291)
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 651,118	
Depreciation expense	<u>(507,918)</u>	143,200

Accrued interest expense that does not require current financial resources.	(13,869)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	(171)
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net loss of the internal service funds is reported with governmental activities.	(99,500)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(37,749)
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The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	(6,423)
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Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:	(22,005)
--	----------

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	613,249	
Lease obligations payable	<u>11,960</u>	<u>625,209</u>

Change in net assets of governmental activities (page 15)	<u>\$ 419,401</u>
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business Type Activity	Governmental Activities
	School Nutrition Fund	Internal Service
ASSETS		
Current Assets:		
Cash and Pooled Investments	\$ 84,879	\$ 16,601
Inventories	13,473	-
Receivables:		
Accounts	2,660	-
Due from Other Governments	500	-
Total Current Assets	<u>101,512</u>	<u>16,601</u>
Noncurrent Assets:		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>54,195</u>	<u>-</u>
Total Noncurrent Assets	<u>54,195</u>	<u>-</u>
Total Assets	<u>155,707</u>	<u>16,601</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,290	1,704
Salaries and Benefits Payable	5,490	-
Unearned Revenue	12,177	-
Total Current Liabilities	<u>18,957</u>	<u>1,704</u>
Noncurrent Liabilities:		
Accrued Compensated Absences	<u>5,600</u>	<u>-</u>
Total Noncurrent Liabilities	<u>5,600</u>	<u>-</u>
Total Liabilities	<u>24,557</u>	<u>1,704</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	54,195	-
Unrestricted	76,955	14,897
Total Net Assets	<u>\$ 131,150</u>	<u>\$ 14,897</u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Business Type Activity</u> <u>School Nutrition Fund</u>	<u>Governmental Activities</u> <u>Internal Service</u>
Operating Revenues:		
Charges for services	\$ 359,089	\$ 9,822
Miscellaneous	810	-
Total Operating Revenue	<u>359,899</u>	<u>9,822</u>
Operating Expenditures:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	213,304	-
Benefits	28,937	-
Purchased Services	7,996	-
Supplies	277,609	-
Depreciation	7,473	-
Loss on Disposal of Capital Assets	38	-
Other Enterprise Operations:		
Benefits	-	8,369
Purchased Services	-	4,200
Total Operating Expenses	<u>535,357</u>	<u>12,569</u>
Operating (Loss)	<u>(175,458)</u>	<u>(2,747)</u>
Non-Operating Revenues :		
Interest Income	1,420	-
State Lunch Reimbursements	7,048	-
National School Lunch Program	145,171	-
Team Nutrition Grant	1,000	-
Federal Food Commodities Received	32,799	-
Total Non-Operating Revenues	<u>187,438</u>	<u>-</u>
Income (Loss) before Contributions and Transfers	11,980	(2,747)
Transfers to other Funds	<u></u>	<u>(96,753)</u>
Change in net assets	11,980	(99,500)
Net Assets - beginning	<u>119,170</u>	<u>114,397</u>
Net Assets - ending	<u>\$ 131,150</u>	<u>\$ 14,897</u>

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 357,320	\$ -
Cash received from miscellaneous operating activities	310	9,822
Cash paid to employees for services	(234,208)	-
Cash paid to suppliers for goods or services	(247,568)	(12,512)
Total cash (used) by operating activities	(124,146)	(2,690)
Cash flows from noncapital financing activities:		
State grants received	7,048	-
Federal grants received	146,171	-
Total cash provided by noncapital financing activities	153,219	-
Cash flows from capital and related financing activities:		
Operating Transfer	-	(96,753)
Cash flows from investing activities:		
Interest on investments	1,420	-
Net increase (decrease) in cash and cash equivalents	30,493	(99,443)
Cash and cash equivalents - beginning of year	54,386	116,044
Cash and cash equivalents - end of year	84,879	16,601
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating (loss)	(175,458)	(2,747)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation expense	7,473	-
Commodities used	32,799	-
Loss on disposal of capital assets	38	-
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts Receivable	(2,660)	-
Due from Other Governments	(500)	-
Inventories	4,004	-
Accounts Payable	1,234	57
Salaries and Benefits Payable	2,433	-
Compensated Absences Payable	5,600	-
Unearned Revenue	891	-
Net cash (used) in operating activities	\$ (124,146)	\$ (2,690)
Non-cash investing, capital and financing activities:		
Federal food commodities received	\$ 32,799	\$ -

See Accompanying Notes to Financial Statements

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AGENCY FUND
JUNE 30, 2007

	<u>2007</u>
Cash and Temporary Cash Investments	\$ 15,228
Total Assets	<u>15,228</u>
Liabilities:	
Other Payables	<u>15,228</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, MOC-Floyd Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. MOC-Floyd Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity. The District's internal service fund is classified as a governmental-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The District does not allocate indirect costs. Certain expenses of the District are accounted for through an internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to report assets held in an agency or custodial capacity for others and therefore are not available to support District functions. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The following is the District's fiduciary fund:

Agency Fund – The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

Capital Project LOST – To account for the collection of a 1% school local sales and services tax to be expended for school infrastructure needs and property tax relief.

Physical Plant and Equipment Levy – To account for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

The District reports the following major enterprise funds:

School Nutrition – Accounts for the food service operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,000 for governmental capital assets and \$500 for school nutrition capital assets.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees can accumulate a limited amount of earned but unused sick pay for subsequent use or for partial payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had the following investment:

	<u>Credit Risk</u>	<u>Fair Value</u>
ISCAP – Guaranteed Interest Contract	Not Rated	<u>\$ 476,261</u>

NOTE 3 – INTERFUND TRANSFERS

The detail of short-term interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	General	\$ 11,982
Debt Service	Capital Project – LOST	578,476
Debt Service Fund	Special Revenue – Physical Plant and Equipment	211,534
Special Revenue -Physical Plant and Equipment	Special Revenue – Student Activity	15,000
General	Internal Service	96,753
		<u>\$ 913,745</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 4 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 4 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) – (CONTINUED)

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ -	\$ 4,599	\$ -	\$ -
2007-08A	6/27/07	6/27/08	467,261	139	468,000	115
			<u>\$ 467,261</u>	<u>\$ 4,738</u>	<u>\$ 468,000</u>	<u>\$ 115</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ -	\$ 25,000	\$ 25,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.5%	5.676%
2007-08A	4.5%	5.455%

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 247,000	\$ -	\$ -	\$ 247,000
Construction in Progress	5,971,318	392,222	6,340,373	23,167
Total capital assets not being depreciated	6,218,318	392,222	6,340,373	270,167
Capital assets being depreciated:				
Buildings	9,934,380	6,358,715	-	16,293,095
Improvements other than buildings	670,730	27,533	-	698,263
Furniture and equipment	2,182,031	213,021	2,036	2,393,016
Total capital assets being depreciated	12,787,141	6,599,269	2,036	19,384,374
Less: Accumulated Depreciation for:				
Buildings	5,679,569	331,081	-	6,010,650
Improvements other than buildings	413,003	40,821	-	453,824
Furniture and equipment	1,464,242	136,016	2,036	1,598,222
Total Accumulated Depreciation	7,556,814	507,918	2,036	8,062,696
Total capital assets being depreciated, net	5,230,327	6,091,351	-	11,321,678
Governmental activities capital assets, net	\$ 11,448,645	\$ 6,483,573	\$ 6,340,373	\$ 11,591,845

Construction in progress at June 30, 2007, for the governmental activities consisted of costs associated with the remodeling of the administration office.

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Business-type Activities:				
Furniture and equipment	\$ 90,287	\$ -	\$ 605	\$ 89,682
Less: Accumulated Deprecation	28,581	7,473	567	35,487
Business-type activities capital assets, net	\$ 61,706	\$ (7,473)	\$ 38	\$ 54,195

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
Regular Instruction	\$ 338,102
Other Instruction	31,999
Instructional Staff Services	11,552
Administration Services	13,935
Operation and Maintenance	52,622
Transportation Services	59,708
Total depreciation expenses – governmental activities	\$ 507,918
Business-type activities:	
Food Service Operations	\$ 7,473

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 5 – CAPITAL ASSETS – (CONTINUED)

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business- Type Activities
Land	\$ 247,000	\$ -
Construction in Progress	23,167	-
Capital Assets (net of accumulated depreciation)	11,321,678	54,195
Less: Bonds Payable	5,171,751	-
Lease Obligation Payable	18,700	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 6,401,394</u>	<u>\$ 54,195</u>

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligations Bonds	\$ 1,285,000	\$ -	\$ 512,049	\$ 772,951	\$ 183,300
LOST Revenue Bonds	4,500,000	-	101,200	4,398,800	529,214
Lease Obligations	30,660	-	11,960	18,700	9,350
Early Retirement	30,226	115,719	30,226	115,719	115,719
Compensated Absences	-	22,605	-	22,005	-
Governmental Activities Long-Term Liabilities	<u>\$ 5,845,886</u>	<u>\$ 137,724</u>	<u>\$ 655,435</u>	<u>\$ 5,328,175</u>	<u>\$ 837,583</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2007 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – 2006 Capital Loan Notes	3.50%	<u>\$ 772,951</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>
2008	\$ 183,300	\$ 25,463
2009	189,771	18,992
2010	196,472	12,292
2011	203,408	5,355
Total	<u>\$ 772,951</u>	<u>\$ 62,102</u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 6 – LONG-TERM LIABILITIES – (CONTINUED)

Revenue Bonds

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

1. The proceeds from the issuance of the revenue bonds shall be deposited to the Project Account.
2. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year. The Sinking Account is shown as a restricted asset in the Capital Project LOST fund.
4. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2007.

Revenue bonds as of June 30, 2007 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – LOST Revenue Bonds	5.0%	<u>\$ 4,398,800</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Governmental Activities</u>		
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 529,214	\$ 211,397
2009	557,244	183,367
2010	586,159	154,452
2011	616,574	124,037
2012	648,331	92,280
2013-2015	1,461,278	81,662
Total	<u>\$4,398,800</u>	<u>\$ 847,195</u>

Capital Leases

The District has entered into lease agreements as lessee for financing the acquisition of various copy machines and band instruments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments as of the inception date.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 6 – LONG-TERM LIABILITIES – (CONTINUED)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Furniture and Equipment	\$ 79,432
Less: Accumulated Depreciation	48,655
	<hr/>
Total	\$ 30,777

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2007.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 9,350	-	\$ 9,350
2009	9,350	-	9,350
			<hr/>
Minimum Lease Payments			18,700
Less: Amount Representing Interest			-
			<hr/>
Present Value of Minimum Lease Payments			\$ 18,700

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Teachers and administrators who have 10 years of continuous service with the former districts and/or the new District are eligible for Board approved early retirement compensation. Employees making application for early retirement receive as compensation an amount equal to the difference between the applicant's current salary schedule amount and that year's base pay if the application for early retirement is submitted during a period beginning with the fiscal year before the teacher attains age 55 through the fiscal year in which the teacher attains the age 65. After age 65, no early retirement compensation is available. Part-time teachers receive a percentage of the benefit. Early retirement benefits paid during the year ended June 30, 2007, totaled \$30,226. The cost of early retirement payments liquidated within 60 days is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement is recorded in the government-wide financial statements.

NOTE 7 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 7 – PENSION AND RETIREMENT BENEFITS – (CONTINUED)

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$387,123, \$360,007, and \$336,688 respectively, equal to the required contributions for each year.

NOTE 8 – RISK MANAGEMENT

MOC-Floyd Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$460,286 for the year ended June 30, 2007 and is recorded in the General Fund.

NOTE 10 – DEFICIT FUND BALANCE

As of June 30, 2007, the following funds had a deficit fund balance in the amounts showing:

Special Revenue:	
Management	<u>\$ (48,020)</u>

The deficit will be funded through future property tax revenue.

NOTE 11 – SPLIT FUNDING HEALTH INSURANCE PLAN

The District's Split Funding Health Insurance Fund was established to account for the partial self-funding of the District's prescription drug benefit plan. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The agreement is subject to automatic renewal provisions. The District assumes liability for co-pay amounts of \$5 to \$20 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the District's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are paid from the Split Funding Health Insurance Fund. The District records the plan assets and related liabilities of the Split Funding Health Insurance Fund as an Internal Service Fund.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

NOTE 11 – SPLIT FUNDING HEALTH INSURANCE PLAN (CONTINUED)

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

Claims Payable at June 30, 2006	\$ 1,647
Claims Paid	(8,312)
Claims Incurred	<u>8,369</u>
Claims Payable at June 30, 2007	<u>\$ 1,704</u>

REQUIRED SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES,
BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Governmental	Proprietary	Total	Final to
	Original	Amended	Funds	Fund	Actual	Actual
			Actual	Actual		Variance
REVENUE:						
Local Sources:						
Local Tax	\$ 4,791,954	\$ 4,791,954	\$ 5,717,087	\$ -	\$ 5,717,087	\$ 925,133
Tuition	230,000	230,000	245,447	-	245,447	15,447
Other	1,728,712	1,728,712	653,974	361,319	1,015,293	(713,419)
State Sources	6,007,558	6,007,558	5,662,514	7,048	5,669,562	(337,996)
Federal Sources	508,000	508,000	356,122	178,970	535,092	27,092
Total Revenue	13,266,224	13,266,224	12,635,144	547,337	13,182,481	(83,743)
EXPENDITURES:						
Current:						
Instruction	9,018,336	9,018,336	7,666,683	-	7,666,683	1,351,653
Support Services	3,478,764	3,478,764	3,267,620	-	3,267,620	211,144
Non-instructional Programs	573,762	573,762	12,784	535,357	548,141	25,621
Other Expenditures	2,891,550	2,891,550	1,954,101	-	1,954,101	937,449
Total Expenditures	15,962,412	15,962,412	12,901,188	535,357	13,436,545	2,525,867
Excess (Deficiency) of Revenues Over Expenditures	(2,696,188)	(2,696,188)	(266,044)	11,980	(254,064)	2,442,124
Other Financing Sources (Uses):						
Transfers In	980,496	980,496	913,745	-	913,745	(66,751)
Transfers Out	(970,496)	(970,496)	(816,992)	-	(816,992)	153,504
Total Other Financing Sources (Uses)	10,000	10,000	96,753	-	96,753	86,753
Net Change in Fund Balances	(2,686,188)	(2,686,188)	(169,291)	11,980	(157,311)	2,528,877
Fund Balances - Beginning of Year	1,601,478	1,601,478	1,482,308	119,170	1,601,478	-
Fund Balances - End of Year	\$ (1,084,710)	\$ (1,084,710)	\$ 1,313,017	\$ 131,150	\$ 1,444,167	\$ 2,528,877

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2007, the District had no budget amendments.

OTHER SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1

REVENUES:

Local Sources:

Local Tax:

Property Tax	\$ 3,669,216
Mobile Home Tax	3,002
Utility Tax Replacement Excise Tax	69,605
Surtax	567,493
	4,309,316

Other Local Sources:

Interest on Investments	95,523
Tuition from Individuals	41,000
Tuition from Other Districts	204,447
Rent	6,695
Miscellaneous	63,102
	410,767
	4,720,083

State Sources:

State Foundation Aid	4,496,911
Instructional Support State Aid	38,796
Educational Excellence Program:	
Phase I	71,808
Phase II	106,172
Non-Public Transportation Aid	128,526
Non-Public Textbook and Technology Aid	15,445
Teacher Compensation	256,527
Vocational Education Aid	12,737
Revenue in lieu of taxes - military credit	2,978
AEA Flow-Through	460,286
Iowa Early Intervention Block Grant	66,688
Other State Aid	5,200
	5,662,074

Federal Sources:

Title I Grants to Local Educational Agencies	111,045
Safe and Drug-Free Schools and Communities-States Grants	5,495
State Grants for Innovative Programs	2,514
Vocational Education - Basic Grants to States	15,109
Special Education - Grants to States	89,499
Improving Teacher Quality State Grants	50,587
Grants for Assessments and Related Activities	9,093
Medicaid	72,780
	356,122
Total Revenue	\$ 10,738,279

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

EXPENDITURES:

Instruction:

Regular Instruction:

Salaries	\$ 3,792,662
Benefits	969,610
Services	245,524
Supplies	146,175
Property	11,764
	<u>5,165,735</u>

Special Education Instruction:

Salaries	766,121
Benefits	180,096
Services	247,731
Supplies	14,397
Property	65,476
	<u>1,273,821</u>

Vocational Instruction:

Salaries	286,710
Benefits	73,310
Services	2,777
Supplies	25,582
Property	8,363
	<u>396,742</u>

Co-curricular Instruction:

Salaries	224,923
Benefits	37,799
Services	6,683
	<u>269,405</u>

Nonpublic Instruction:

Supplies	15,445
	<u>15,445</u>

Total Instruction

\$ 7,121,148

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

Support Services:

Student Services:

Attendance and Social Work Services:

Salaries	\$ 14,993
Benefits	1,983
Services	1,786
Supplies	731
	<u>19,493</u>

Guidance Services:

Salaries	209,666
Benefits	42,353
Services	6,422
Supplies	1,862
	<u>260,303</u>

Health Services:

Salaries	49,219
Benefits	12,582
Services	2,317
Supplies	5,471
	<u>69,589</u>

Total Student Services

349,385

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Salaries	1,178
Benefits	158
Services	20,984
Supplies	2,667
Other	1,064
	<u>26,051</u>

Educational Media Services:

Salaries	158,652
Benefits	30,921
Services	1,800
Supplies	24,544
Property	6,694
Other	18
	<u>\$ 222,629</u>

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

Support Services (Continued):

Instructional Staff Services (Continued):

Other Instructional Staff Support Services:

Salaries	\$ 65,812
Benefits	13,685
Services	12,745
Supplies	42,380
Property	89,337
	<u>223,959</u>

Total Instructional Staff Services

472,639

Support Services:

Administration Services:

Executive Administration:

Salaries	146,123
Benefits	42,250
Services	6,043
Supplies	5,459
Property	1,530
Other	89
	<u>201,494</u>

School Administration:

Salaries	436,681
Benefits	151,449
Services	13,774
Supplies	3,296
Property	358
	<u>605,558</u>

Business Administration:

Salaries	48,843
Benefits	12,549
Services	3,332
Supplies	46

Iowa School Cash Anticipation Program:

Interest	16,830
Issuance Costs	4,212
Other	306

\$ 86,118

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

Support Services (Continued):

Administration Services (Continued):

Board of Education:

Services	\$ 39,653
Supplies	6,273
Property	402
Other	705
	<u>47,033</u>

Total Administration Services:

940,203

Support Services:

Plant Operation and Maintenance:

Salaries	310,411
Benefits	71,795
Services	128,305
Supplies	320,335
Property	59,619
	<u>890,465</u>

Support Services:

Student Transportation:

Salaries	166,685
Benefits	30,208
Services	157,734
Supplies	66,755
Property	34,450
	<u>455,832</u>

Total Support Services

3,108,524

Non-instructional Programs:

Community Services:

Salaries	1,996
Benefits	267
Services	2,300
Supplies	932
	<u>\$ 5,495</u>

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

Other Expenditures:	
AEA Flow-Through	\$ 460,286
Total Expenditures	<u>10,695,453</u>
Excess of Revenues Over Expenditures	<u>42,826</u>
Other Financing Sources (Uses):	
Transfers From Other Funds	96,753
Transfers To Other Funds	<u>(11,982)</u>
Total Other Financing Sources (Uses)	<u>84,771</u>
Net Change in Fund Balance	127,597
Fund Balance - Beginning of Year	<u>642,411</u>
Fund Balance - End of Year	<u><u>\$ 770,008</u></u>

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2007**

Schedule 2

	Special Revenue Funds			
	Management Levy	Student Activity	Debt Service	Total
ASSETS				
Cash and Pooled Investments	\$ 12,355	\$ 97,504	\$ 41,962	\$ 151,821
Receivables:				
Property Tax	1,596	-	535	2,131
Succeeding Year Property Tax	225,000	-	-	225,000
Accounts	-	8,903	-	8,903
Total Assets	238,951	106,407	42,497	387,855
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	-	5,971	-	5,971
Early Retirement Payable	61,971	-	-	61,971
Deferred Revenue - Succeeding Year				
Property Taxes	225,000	-	-	225,000
Total Liabilities	286,971	5,971	-	292,942
Fund Balances:				
Reserved for:				
Debt Service	-	-	42,497	42,497
Unreserved for:				
Special Revenue Fund	(48,020)	100,436	-	52,416
Total Fund Balances (Deficit)	(48,020)	100,436	42,497	94,913
Total Liabilities and Equity	\$ 238,951	\$ 106,407	\$ 42,497	\$ 387,855

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 3

	Special Revenue Funds			
	Management Levy	Student Activity	Debt Service	Total
REVENUE:				
Local Sources:				
Local Tax	\$ 160,181	\$ -	\$ 79,565	\$ 239,746
Other	10,861	430,391	-	441,252
State Sources	127	-	57	184
Total Revenue	171,169	430,391	79,622	681,182
EXPENDITURES:				
Current:				
Instruction:				
Regular Instruction	79,532	-	-	79,532
Special Instruction	1,012	-	-	1,012
Other Instruction	-	464,992	-	464,992
Support Services:				
Student Services	17,891	-	-	17,891
Instructional Staff Services	2,002	-	-	2,002
Administration Services	29,254	-	-	29,254
Operation and Maintenance	43,651	645	-	44,296
Transportation Services	20,627	-	-	20,627
Non-instructional Programs	7,289	-	-	7,289
Other Expenditures:				
Long-term Debt:				
Principal	-	-	625,209	625,209
Interest and Fiscal Charges	-	-	256,253	256,253
Total Expenditures	201,258	465,637	881,462	1,548,357
Excess (Deficiency) of Revenues Over Expenditures	(30,089)	(35,246)	(801,840)	(867,175)
Other Financing Sources (Uses):				
Transfers In	-	-	801,992	801,992
Transfers Out	-	(15,000)	-	(15,000)
Total Other Financing Sources (Uses)	-	(15,000)	801,992	786,992
Net Change in Fund Balances	(30,089)	(50,246)	152	(80,183)
Fund Balances (Deficits) - Beginning of Year	(17,931)	150,682	42,345	175,096
Fund Balances (Deficits) - End of Year	\$ (48,020)	\$ 100,436	\$ 42,497	\$ 94,913

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2007

					Schedule 4	
	Balance June 30, 2006	Revenues	Expenditures	Operating Transfers	Balance June 30, 2007	
Annual	\$ 9,639	\$ 16,104	\$ 17,324	\$ -	\$ 8,419	
Plays/Musical	11,233	5,686	12,255	-	4,664	
Iowa High School Speech	2,145	5,171	7,695	2,500	2,121	
Iowa High School Music	2,424	-	5,494	4,545	1,475	
Vocal Robe Rent	9,301	394	-	-	9,695	
Band Instrument Rent	-	4,920	5,096	176	-	
High School Band Uniform Rent	2,005	5,832	7,263	-	574	
High School Band	1	4,950	4,518	-	433	
Music Gate Receipts	3,669	3,786	5,696	(245)	1,514	
Athletics	41,341	182,191	211,842	(8,931)	2,759	
Joint Baseball	7,831	3,000	6,951	(3,880)	-	
Joint Baseball/Softball Concessions	9,746	13,959	18,455	(2,500)	2,750	
Boys Basketball	-	1,138	1,091	-	47	
Dutch Football	-	4,070	65	-	4,005	
Wrestling Concessions	-	1,719	392	(100)	1,227	
Dutch Volleyball	-	7,762	3,886	-	3,876	
Industrial Tech./Skills USA	-	7,831	2,937	(1,989)	2,905	
Dance Team	205	1,012	408	-	809	
Peb Club/Cheerleaders	-	2,534	1,466	-	1,068	
Student Council	7,080	5,061	4,889	-	7,252	
FFA Club	3,992	24,480	23,405	-	5,067	
Class of 2013	-	500	-	-	500	
Class of 2012	500	500	-	-	1,000	
Class of 2011	1,000	500	-	-	1,500	
Class of 2010	1,500	23	-	-	1,523	
Class of 2009	1,500	-	100	-	1,400	
Class of 2008	1,500	11,239	10,386	-	2,353	
Class of 2007	2,921	-	1,120	-	1,801	
Class of 2006	538	-	-	-	538	
Get a Grip	373	-	80	-	293	
Middle/High School Shop	1,797	309	4,640	2,645	111	
Awards	907	1,293	592	-	1,608	
High School Faculty Pop Machine	-	1,707	926	-	781	
Concessions	6,035	16,423	16,425	-	6,033	
Juice Machine	932	1,909	1,622	-	1,219	
National Honor Society	706	1,258	484	-	1,480	
Middle School Miscellaneous	1,193	1,754	1,385	-	1,562	
Middle School Student Council	\$ 348	\$ 3,679	\$ 3,614	\$ -	\$ 413	

(Continued)

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2007

					Schedule 4
	Balance June 30, 2006	Revenues	Expenditures	Operating Transfers	Balance June 30, 2007
Middle School Pop Machine	\$ 200	\$ 1,012	\$ 752	\$ -	\$ 460
Middle School Magazines	4,489	51,940	54,554	-	1,875
Middle School Book Club	146	-	-	-	146
Middle School Pictures	1,723	998	1,254	-	1,467
Orange City Elementary Pop Machine and Miscellaneous	354	1,110	895	-	569
Orange City Outdoor Education	4,166	11,780	12,405	-	3,541
Orange City Elementary Pictures	2,451	5,329	4,966	-	2,814
Orange City Elementary Book Club	235	1,092	1,016	-	311
Orange City Elementary Care Fund	982	33	300	-	715
Hospers Elementary Pop Machine and Miscellaneous	575	2,282	2,146	-	711
Hospers Elementary Pictures	212	1,007	471	-	748
Reading Counts	2,206	1,978	1,880	-	2,304
Revolving/Interest	581	9,136	2,496	(7,221)	-
Totals	\$ 150,682	\$ 430,391	\$ 465,637	\$ (15,000)	\$ 100,436

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2007**

				Schedule 5
	Balance			Balance
	July 1, 2006	Additions	Deductions	June 30, 2007
<u>FLEX</u>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 11,005	\$ 70,268	\$ 66,045	\$ 15,228
Total Assets	11,005	70,268	66,045	15,228
<u>Liabilities</u>				
Other Payables	11,005	70,268	66,045	15,228
Total Liabilities	\$ 11,005	\$ 70,268	\$ 66,045	\$ 15,228

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2007, 2006, 2005, 2004**

Schedule 6

	Modified Accrual Basis of Accounting			
	2007	2006	2005	2004
Revenues:				
Local Sources:				
Local Tax	\$ 5,717,087	\$ 5,422,730	\$ 5,617,211	\$ 4,988,529
Tuition	245,447	238,086	203,510	186,899
Other	653,974	796,282	558,505	432,540
State Sources	5,662,514	5,230,501	5,180,289	4,692,680
Federal Sources	356,122	408,004	389,042	431,026
Total	<u>12,635,144</u>	<u>12,095,603</u>	<u>11,948,557</u>	<u>10,731,674</u>
Expenditures:				
Instruction:				
Regular	5,245,267	4,745,983	4,548,117	4,502,074
Special	1,274,833	1,050,820	1,109,891	1,267,711
Other	1,146,584	1,178,431	1,102,055	867,876
Support Services:				
Student	367,276	327,830	298,770	290,962
Instructional Staff	474,641	491,826	445,567	489,514
Administration	988,093	966,342	894,523	842,722
Operation and maintenance of plant	961,151	851,118	696,566	646,831
Transportation	476,459	488,615	435,149	464,428
Non-instructional programs	12,784	12,896	13,321	14,123
Other Expenditures:				
Facilities Acquisition	612,353	3,568,453	3,016,635	298,711
Long-term debt:				
Principal	625,209	600,000	570,000	545,000
Interest and other charges	256,253	279,828	74,396	84,535
AEA Flowthrough	460,286	436,066	432,179	435,808
Total	<u>\$ 12,901,189</u>	<u>\$ 14,998,208</u>	<u>\$ 13,637,169</u>	<u>\$ 10,750,295</u>

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 7

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 7 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-07 Financial Accounting – Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendations – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

11-B-07 Financial Reporting

Comment – During the audit, we identified material amounts of payables and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include those amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any payables or capital asset transactions.

Conclusion – Response accepted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 7 (Continued)

Part III: Other Findings Related to Statutory Reporting:

- III-A-07 Certified Budget – Disbursements for the year ended June 30, 2007 did not exceed amounts budgeted.
- III-B-07 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- III-D-07 Business Transactions – Business transactions between the District and District Officials are detailed as follows:
- | Name, Title and
Business Connection | Transaction
Description | Amount |
|--|----------------------------|-----------|
| Gerald Van Roekel, Board Member
Part-owner of Van Engelenhoven Agency | Insurance | \$118,703 |
- This transaction may represent a conflict of interest and the District should contact legal council for determination.
- III-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 7 (Continued)

-
- | | |
|----------|--|
| III-I-07 | <u>Certified Annual Report</u> – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported. |
| III-J-07 | <u>Deficit Balances</u> – The management fund had a deficit fund balance at June 30, 2007.
<u>Recommendation</u> – The District should continue to investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.
<u>Response</u> – The District is continuing to investigate alternatives to eliminate the deficit in the management fund at the end of the fiscal year.
<u>Conclusion</u> – Response accepted. |



21 1st Avenue NW
P.O. Box 1010
Le Mars, IA 51031
Phone (712) 546-7801
Fax (712) 546-6543

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
MOC-Floyd Valley Community School District

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 1, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the MOC-Floyd Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered MOC-Floyd Valley Community District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MOC Floyd Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MOC Floyd Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the MOC-Floyd Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the MOC-Floyd Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by the MOC-Floyd Valley Community School District's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-07 and II-B-07 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the MOC-Floyd Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The MOC-Floyd Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the MOC-Floyd Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of MOC-Floyd Valley Community School District and other parties to whom the MOC-Floyd Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams + Company, P.C.
Certified Public Accountants

Le Mars, Iowa
November 1, 2007